

Commission's consultation on the Temporary Crisis and Transition Framework

Joint non-paper by Denmark, Finland, Ireland, the Netherlands, Poland and Sweden on 23 December 2022; joined also by the Czech Republic, Hungary, Latvia and Slovakia on 2 February 2023

As a response to Commission's consultation on the State aid Temporary Crisis Framework a group of six Member States sent a joint non-paper to the Commission on 23.12.2022. Following the ministerial consultation set out in the letter by Executive Vice-President Margrethe Vestager on 13 January 2023, the original joint statement by Denmark, Finland, Ireland, the Netherlands, Poland and Sweden is today, 2.2.2023, co-signed also by the Czech Republic, Hungary, Latvia and Slovakia.

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The European Commission is currently assessing the need to adapt the State aid Temporary Crisis Framework (hereafter Temporary Crisis Framework]. The framework is designed to mitigate the impacts of the economic crisis caused by Russian aggression in Ukraine. The Commission is now considering broadening the EU State aid rules significantly beyond this starting point to promote EU's competitiveness. The Commission is considering, in particular, easing the rules on investments in strategic green clean tech sectors in order to respond to global competition and United States' Inflation Reduction Act (IRA).

We, the co-signing Member States, agree that the EU is facing a competitive challenge. We need to find the proper policy mix to accelerate the energy transition, reduce strategic dependencies and remain attractive for investments. The European economy is based on competitiveness and innovation. Effective competition and an internal market that functions well enables EU reactions to future challenges. EU's state aid policy has an important role to play in this context.

The EU's State aid policy on investment aids for productive investments is well established and has served the EU for decades. Investment aid for productive investments is allowed currently only to promote development of SME's and to further economic cohesion within the EU. Deviating from this fundamental premise is a policy shift that requires careful consideration. State aid for the mass production and commercial activities can lead to significant negative effects including the fragmentation of internal market, harmful subsidy races and weakening of regional development. These harms can be greater than the positive effects.

We, the co-signing Member States, urge the Commission to exercise great caution. Fundamental changes to the EU State aid rules should not be done overnight in the context of a temporary crisis framework not intended for this purpose. Rather, this requires that a proper fact-based problem analysis and impact assessment of different policy instruments and options should be conducted

before introducing significant policy changes. The Commission must also closely assess the possible impacts of local content requirements of a distortive nature in the IRA. Such evidence-based approach is also one of the cornerstones of Commission's better regulation policy. Policy decisions need to be based by the best available evidence (including scientific evidence, where available) and consultation of stakeholders. In this regard it is important to mention that State aid policy is not always a sole decisive factor for investment decisions. For example investments into raw materials are often slowed down by complex and unpredictable regulation, environmental rules and permits.

State aid can be necessary as part of a long-term strategy for strategic value chains that considers all relevant policy tools. Therefore, the Commission should first study the needs in strategic value chains and develop a strategy accordingly. This also entails analyzing whether state aid policy in strategic sectors is an appropriate instrument to promote EU's competitiveness and prevent strategic dependencies or whether other less distortive instruments including existing instruments at the EU level are more appropriate to achieve the intended results.

Overall, EU State aid rules should be designed taking into account the value added at the level of EU as a whole. EU State aid rules should protect the level playing field on the EU internal market.

We are looking forward to further discuss the matter with the Commission thoroughly.